

	<p>Financial Performance and Contracts Committee</p> <p>19 June 2019</p>
<p>Title</p>	<p>Performance of back office functions – off-contract agency expenditure</p>
<p>Report of</p>	<p>HR Director</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>None</p>
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Summary

This report shows total agency spend, focusing on the off-contract spend by the council for the last financial year, detailing the usage and expenditure that creates no additional financial pressure on the council, against usage and expenditure that creates revenue pressures. It will show actions taken by officers to reduce expenditure.

Officers Recommendations

That the Committee notes off-contract agency spend and the actions taken by officers to reduce this expenditure.

1. WHY THIS REPORT IS NEEDED

CONTEXT AND BACKGROUND INFORMATION

- 1.1 The purpose of this report is to set out the council's off-contract expenditure on temporary workers that are hired from specialist recruitment firms not on the current agency framework.
- 1.2 As of October 2018, the council use Matrix SCM (Matrix) as its Managed Service Provider (MSP), which provides the majority of its temporary workers, in both numbers and expenditure. Prior to this, Comensura was the council's MSP.
- 1.3 A temporary workforce is made up of different types of workers whose employment is temporary in nature. Off-contract usage comes from either:
 - I) Contracting: bought in for a special project or to cover an extended absence. Employed on a fixed-term or rolling contract, dependent on the project or absence they are covering. Typically used to cover known periods of absence such as maternity leave, career breaks or for time limited specific projects.
 - II) Interim: senior-level experts that are needed to make an immediate impact. Typically used to provide specialist or executive level expertise and can cover extended absences, requirements for short term expertise, or to provide additional capacity.
- 1.4 Contract expenditure occurs through the Matrix framework, where agencies and Matrix agree a rate, or fee, (at a level acceptable to the council) so they can be included on the Matrix framework. Off-contract expenditure results from the council directly interacting with an agency that is not on the Matrix framework but which is on another approved framework of suppliers which is broader in scope than temporary workers.
- 1.5 There are many benefits of hiring temporary workers through the Matrix framework:
 - I) Cost control of agency spend through set costs
 - II) Greater assurance on quality of workers
 - III) Compliance of temporary workers of council's policy (strong safeguarding and pre-employment checks)
 - IV) Transparency of spend
 - V) Additional benefits built into the contract

However, there is occasional need to hire an expert or executive role. These types of temporary workers are typically provided by specialist interim firms that are not on the agency framework, Matrix and often provide a higher calibre of candidate. In these exceptional cases, the council direct contracts with interim agencies.

- 1.6 The compliance of the Matrix contract management, including the process and procedures, has been excellent, with few escalations. It has led to a reduction in expenditure and further assurances around safeguarding.

2. 2018/19 FINANCIAL YEAR EXPENDITURE

Graph A: Total Temporary Workers Expenditure Financial Year 2018/19¹



¹ Only for Commissioning Group (Include Assurance Group), Adults & Communities, Family Services and Street Scene

Table A: Breakdown of Expenditure between Service Areas

Service Area	Off Contract Expenditure	On Contract Expenditure	Total Expenditure	Off Contract Spend as a % of Total Expenditure
Adults & Communities	£10,000	£1,643,000	£1,653,000	0.6%
Commissioning Group ¹	£483,000	£1,737,000	£2,220,000	21.8%
Family Services	£258,000	£9,343,000	£9,601,000	2.7%
Street Scene ²	£0	£1,868,000	£1,868,000	0%
Total for Service Areas above	£751,000	£14,591,000	£15,342,000	4.9%

¹ Includes Assurance Group

² Includes Green Spaces and Parking & Infrastructure

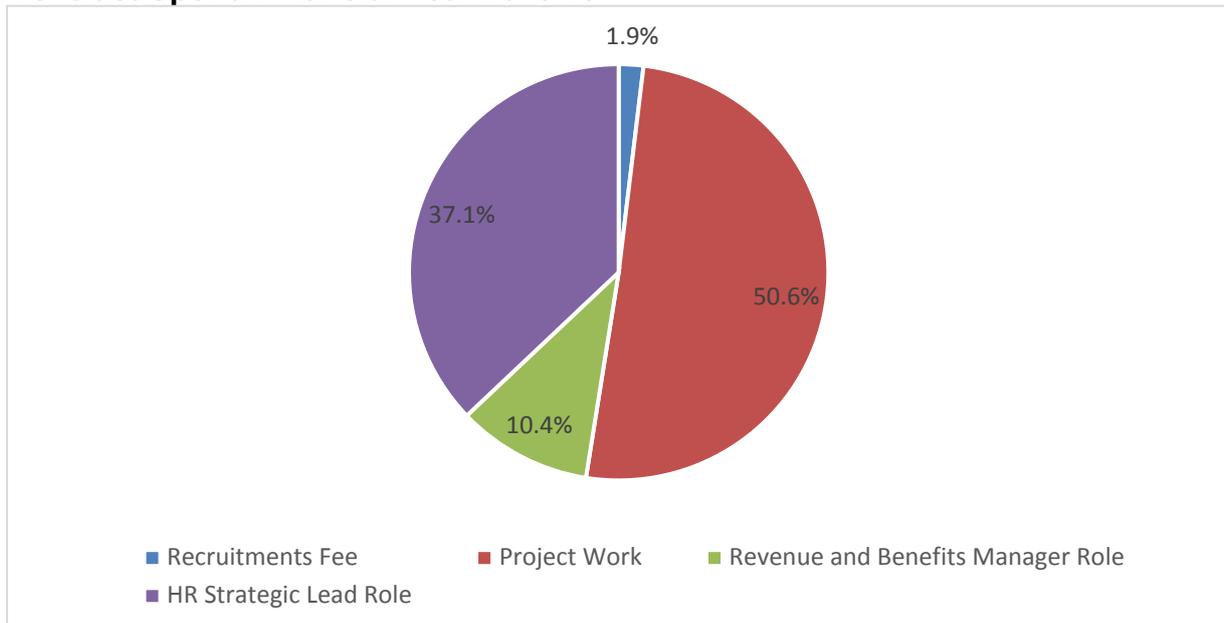
* Figures rounded to the nearest '000

** Figures are taken finance outturn report

*** Figures may differ from Open Data Portal as they do not include Capital Expenditure and there is a variance which can be attributed to timing differences between work date and payment date

- 2.1 The off-contract expenditure for the service areas above is £751,000, 4.9% of total expenditure, £15,342,000. This is a low percentage, with the majority of expenditure for Full Year 2018/19 through the agency frameworks of Comensura and Matrix.
- 2.2 As seen in Table A, the Commissioning Group (including Assurance) had the largest off-contract expenditure at £483,000, 21.8% of their (Commissioning Group) total agency expenditure. Family services off-contract spend was 2.7% of its total agency expenditure, £9,601,000. Adults & Communities off-contract spend was £10,000, while Street Scene was the only service who used the contract framework to employ their temporary workforce.
- 2.3 As stated in 1.3, off-contract spend is a result of either contracting and/or interim staff. The reason for the requirement for interim resource will usually determine whether this creates additional financial pressure on the council. In most cases interim resource requirements are funded by project budgets and are forecast as such, sometimes they are covering vacancies and therefore are funded from existing salary budgets. However, there are occasions when interims are used to fill a newly created role which creates a revenue budget pressure.
- 2.4 The off-contract spend in Family Services is for two reasons. Firstly, at £170,000, is one specialist resource that is involved in the improvement plan. This expenditure is designated as necessary by the service area given its important role. Secondly, expenditure of £88,000 for clinical staff.
- 2.5 The off-contract spend for Adults & Communities of £10,000 is for recruitment fees for one council employee. Here, a specialist agency was used to conduct a candidate search process, which created a small, temporary additional financial pressure on the council. However, this reduced the potential additional pressure in hiring agency staff (either off or on contract) if needed.

Graph B: Commissioning Group Expenditure (Including Assurance) Off-Contract Spend Financial Year 2018/19



- 2.6 As can be viewed in Graph B, Commissioning Group expenditure can be split between project work, recruitment fees, the Strategic HR Lead role and covering the vacant revenue and benefits manager role and further detail is provided on each of these below.
- 2.7 Off-contract project spend, at a value of £244,000, relates primarily to two specific projects for which funding was agreed. These projects included the financial control review and the strategic contract review. The financial control review was commissioned following the identification of significant fraud and although the resource was employed by the council the cost was recouped from Capita. The strategic contract review was commissioned to enable a potential realignment of the council's partnership with Capita which resulted in the recent return to the council of the Strategic HR and Finance functions. These projects required specialised resources that were not available on the agency framework.
- 2.8 The Strategic HR Lead is an interim role, which was identified by officers as a key requirement for the contract management of the CSG HR function during 2017/18, including leading the TUPE process for the recently returned Strategic HR and Finance functions. It has also been heavily involved until recently in managing the pensions improvement plan and as such a proportion of the cost was funded by the pension fund. Off-contract spend for this individual is £179,000, although £46,000 of this expenditure is back-dated pay for 2017/18. Going forward once a permanent role has been recruited this interim role will cease although the role will be temporarily covered by the current interim with the costs funded by the salary budget.

- 2.9 The spend on recruitment fees (£9,000) is for one council employee within the Commissioning Group. As stated in 2.5, a specialist agency was used to conduct a candidate search process.
- 2.10 The final off-contract agency expenditure of £50,000 was to cover the vacant Revenue and Benefits Manager. The role has now been filled and the off-contract spend has now ceased.

3. NEXT STEPS

- 3.1 Since Matrix became the council's managed service provider, a further 105 new agency suppliers have been added to the agency framework. Over time, the objective is to possess the widest possible range to agency employees, although it must be recognised that sometimes specialist resources will not be available through the framework.
- 3.2 The internal process for hiring staff, including agency workers, is being updated, with the current policy being overhauled. This will also include changes to the recruitment panel. On top of this, communications will be reissued to all hiring managers to ensure that off-contract agency workers are only used when needed.
- 3.3 The council can investigate ways to reduce overall agency expenditure through, for example, having a greater focus on longer term workforce planning.
- 3.4 Procurement to measure if the new ESPO framework (Procurement Services for the Public Sector) for interims is more cost-effective than Matrix. If the costs are less on a new framework than Matrix, then interims should be sought from here to reduce off-contract expenditure.

4. REASONS FOR RECOMMENDATIONS

- 4.1 The purpose of this report is to ensure that the Committee has a clear overview of off-contract agency expenditure, and fully understands the actions officers are taking to reduce this expenditure in the future.

5. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

5.1 None.

6. POST DECISION IMPLEMENTATION

6.1 The council will continue to track off-contract agency spend through regular reports, which will help achieve the aim of reducing in this type of expenditure.

7. IMPLICATIONS OF DECISION

7.1 Corporate Priorities and Performance

5.1.1 The council's corporate plan published in March/April 2019 sets out that the one of the council's core purposes is to work together to ensure quality services. The corporate plan also includes a focus on ensuring services are delivered efficiently to get value for money for the taxpayer. The Financial Performance and Contract Committee's role in scrutinising the performance of back office functions and its use of a temporary workforce will support the objectives of achieving value for money and quality services.

7.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

7.2.1 In setting out off-contract agency expenditure, the council is attempting to reduce the usage and expenditure of this type of expenditure. The process shows that the council is ensuring value for money in delivering services to the highest standard.

7.3 Social Value

7.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. All contracts awarded to Managed Service Providers are required to adhere to the Act.

7.4 Legal and Constitutional References

7.4.1 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community

Leadership & Libraries Committee; Environment Committee; or Housing Committee

- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

7.4.2 The content of this report is in line with these Constitutional responsibilities.

7.5 Risk Management

7.5.1 The council's Risk Management Framework is used to identify and respond to risks across all council's services. The review of the use of off-contract agency workers will enable the Committee to have more in-depth oversight of performance in this area, which will support the council to mitigate any risks related to these services.

7.6 Equalities and Diversity

7.6.1 Pursuant to the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

7.7 Corporate Parenting

7.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision making across the council. The recruitment panel exemptions for children's social workers supports the

council with this duty, making sure there are few social work posts vacant for looked after children, meaning looked after children receive a higher quality and more consistent service.

7.8 Consultation and Engagement

7.8.1 Obtaining user feedback is a part of the contract management process to inform service delivery, service development and service improvement. Feedback is regularly sought from services to inform contract management of the temporary worker supplier and deliver continuous improvement. Representatives from all services are invited to give feedback and ask questions in the monthly contract meeting.

7.9 Insight

7.9.1 The provider has a user-friendly portal based on a technological platform, which will allow a range of customisable reports to enable greater detailed analytics of Barnet's temporary staff.

8. BACKGROUND PAPERS

8.1 Report on the Performance of Back Office Functions to Financial Performance and Contracts Committee on 2 July 2018. This is available online at:
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=9716&Ver=4>

8.2 Report on the Performance of Back Office Functions – Temporary Staffing to the Financial Performance and Contracts Committee on 9 October 2018. This is available online at:
<https://barnet.moderngov.co.uk/documents/s48728/Performance%20of%20back%20office%20functions%20-%20temporary%20staffing.pdf>

8.3 Report on the Performance of Back Office Functions – Temporary Workers Contract Implementation to the Financial Performance and Contract Committee on the 11th March 2019. This is available online at:
<https://barnet.moderngov.co.uk/documents/s51502/Temporary%20Workers%20Contract%20Implementation.pdf>